

# Consultation on changes to Standard Licence Condition C27

## Consultation

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### Overview:

This informal consultation sets out our proposals to amend Standard Licence Condition C27 of the Electricity Transmission Licence to implement policy decisions made through our Integrated Transmission Planning and Regulation project, and subsequent policy decisions arising from our Extending Competition in Transmission project. We expect to bring forward a statutory consultation on the proposals in 2018.

The proposals cover three main areas. First, proposals to introduce a new requirement for the System Operator to assess projects recommended for further development in the Networks Options Assessment, for their suitability for competition using our criteria for competition (new, separable, and high value). Secondly, proposals to require the System Operator to undertake the same competition suitability assessments on future generator and demand connections to the transmission system. Thirdly, we also propose to make amendments to expand the scope of potential projects for which the System Operator should undertake early development works.

## Context

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The GB onshore electricity transmission network is currently planned, constructed, owned and operated by three transmission owners (TOs): National Grid Electricity Transmission (NGET) in England and Wales, SP Transmission in the south of Scotland, and Scottish Hydro Electric Transmission in the north of Scotland. We regulate these TOs through the RIIO (Revenue = Incentives + Innovation + Outputs) price control framework. For offshore transmission, we appoint offshore transmission owners (OFTOs) using competitive tenders.

The RIIO-T1 price control runs for eight years until 2021. Under this price control, we developed a mechanism for managing the assessment of large and uncertain projects called 'Strategic Wider Works' (SWW). Once the need for and costs of projects have become more certain, the TOs bring forward construction proposals and seek funding for them. As part of our decision on the RIIO-T1 price control, we set out that projects brought to us under the SWW regime could be subject to competition.

We previously undertook the Integrated Transmission Planning and Regulation (ITPR) project, which reviewed the arrangements for planning and delivering the onshore, offshore and cross-border electricity transmission networks in GB. Through this project, we decided to increase the role of competitive tendering where it can bring value to consumers. In particular, we decided to extend the use of competitive tendering to onshore transmission assets that are new, separable and high value.

Following the ITPR project, we set up our Extending Competition in Transmission (ECIT) project to implement competition in onshore electricity transmission. We began developing a regime to award a transmission licence to Competitively Appointed Transmission Owners (CATOs). We published a consultation on our proposed arrangements for competitive onshore tendering in October 2015. In May 2016 we consulted on our process for identifying projects, pre-tender arrangements, and our proposals for conflict mitigation measures. In November 2016 we published our decisions on those policies consulted on in May 2016. Alongside that document, we published a consultation on licence changes to implement, amongst other policy decisions, changes to C27 (*The Network Options Assessment process and reporting requirements*) to facilitate competition.

In June 2017 we published an update on our plans to introduce competition to onshore electricity transmission, stating that we are deferring further development of the CATO regime until the timing of enabling legislation is more certain. We reiterated that we continue to consider that there are significant benefits to consumers in introducing competition into the delivery of new, separable and high value onshore electricity transmission projects.

Alongside this consultation, we have published an update on our views on the future of onshore competition, which discusses two alternative delivery models to CATO. We've also published a related consultation regarding the delivery model that we are minded to apply to NGET's Hinkley-Seabank project.

## Associated documents

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Update on competition in onshore electricity transmission, January 2018

<https://www.ofgem.gov.uk/publications-and-updates/update-competition-onshore-electricity-transmission>

Update on Extending Competition in Transmission, June 2017

[https://www.ofgem.gov.uk/system/files/docs/2017/06/update\\_on\\_extending\\_competition\\_in\\_transmission.pdf](https://www.ofgem.gov.uk/system/files/docs/2017/06/update_on_extending_competition_in_transmission.pdf)

Consultation on licence changes to support electricity transmission competition during RII0-T1, November 2016

<https://www.ofgem.gov.uk/publications-and-updates/consultation-licence-changes-support-electricity-transmission-competition-during-riio-t1>

Extending competition in electricity transmission - decision on criteria, pre-tender and conflict mitigation arrangements, November 2016

<https://www.ofgem.gov.uk/publications-and-updates/extending-competition-electricity-transmission-decision-criteria-pre-tender-and-conflict-mitigation-arrangements>

Extending competition in electricity transmission: arrangements to introduce onshore tenders, October 2015

<https://www.ofgem.gov.uk/publications-and-updates/extending-competition-electricity-transmission-proposed-arrangements-introduce-onshore-tenders>

Criteria for onshore transmission competitive tendering, May 2015

<https://www.ofgem.gov.uk/publications-and-updates/criteria-onshore-transmission-competitive-tendering>

Integrated Transmission Planning and Regulation project: Final Conclusions, March 2015

<https://www.ofgem.gov.uk/publications-and-updates/integrated-transmission-planning-and-regulation-itpr-project-final-conclusions>

Strategic Wider Works Guidance, October 2013

<https://www.ofgem.gov.uk/publications-and-updates/guidance-strategic-wider-works-arrangements-electricity-transmission-price-control-riio-t1-0>

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# 1. Consultation on changes to C27

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## Question box

**Question 1:** What are your views on our proposed licence modifications, as outlined in this document, and whether they effectively implement the SO-related policy decisions in our November 2016 Decision Document?

**Question 2:** What, if anything, do you think is missing from our proposed licence modifications to implement our policies?

**Question 3:** What do you think of the newly explicitly noted points 16(a)(vi)-(viii)? Are there any other points that should be captured in addition?

**Question 4:** What are your views on the form of the criteria as set out in the draft criteria guidance (published as a subsidiary document to the January 2018 competition document published alongside this consultation)?

**Question 5:** What are your views on our proposed new paragraph 16(e) regarding the assessment of generator and demand connection offers against the criteria for competition? Would this amendment capture all appropriate connections?

**Question 6:** What are your views on our proposed amendment to extend the principle of early development to any option that is not developed by the relevant TO, where the SO considers there may be benefits to developing that option further?

## Introduction

- 1.1. We are proposing changes to Standard Licence Condition (SLC) C27 of the electricity transmission licence to implement policy decisions made through our Integrated Transmission Planning and Regulation (ITPR) project and our Extending Competition in Transmission (ECIT) project. This informal consultation seeks your views on our proposed modifications.
- 1.2. In summary, there are two key changes we are proposing to implement through the modifications to SLC C27:
  - Require the SO to undertake an assessment of an option's suitability for competition against our criteria for competition, and undertake this assessment for future connections to the transmission system; and
  - Expand the types of options of which the System Operator (SO) should undertake early development.
- 1.3. To support the implementation of these changes we have had to make a number of changes to the structure of the condition, including providing a

non-exhaustive list of examples of types of options. In addition, we have proposed some housekeeping changes to improve clarity.

- 1.4. We previously consulted on a set of proposed amendments to SLC C27 in November 2016.<sup>1</sup> Following further consideration of how to structure the amendments, and having considered the responses to our November 2016 consultation, we are proposing the new amendments set out in this consultation. We have consulted informally on the amendments in this consultation with the three incumbent onshore Transmission Owners (TOs) and the SO.
- 1.5. Subject to the outcome of this consultation, we would expect to make our proposed licence modifications, which would come into effect after the statutory notice period of not less than 56 days, in summer 2018. Before making the modifications we would hold a statutory consultation.

### **Draft changes to the condition**

- 1.6. This section describes the changes we propose to make to SLC C27. Marked up and clean versions of the condition can be seen in Appendices 1 and 2 respectively of this document.

### **List of types of option**

- 1.7. We have added, to paragraph 15 (now paragraph 16), a list of the types of options which, where they exist, the SO is required to set out in the NOA Report (pursuant to subparagraph 15(a) (now subparagraph 16(a))). The list of types of options runs from new subparagraph 16(a)(i) to (viii).
- 1.8. The list is not exhaustive and the descriptions are not necessarily mutually exclusive. For example, an option falling within the description of subparagraph 16(a)(vi) could also fall within any of the other descriptions in subparagraph 16(a).
- 1.9. The examples referred to at new subparagraphs 16(a)(i) to (v) are intended to capture points that already appear in the existing condition.
- 1.10. The examples referred to at new subparagraphs 16(a)(vi) to (viii) are not referred to explicitly in the existing condition.
- 1.11. We consider that compiling this list of types of options increases clarity. In particular, this is because some of the obligations in SLC C27 relate to specific

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<sup>1</sup> <https://www.ofgem.gov.uk/publications-and-updates/consultation-licence-changes-support-electricity-transmission-competition-during-riio-t1>

types of option and these obligations can now cross-refer to the list of types of options.

- 1.12. We note that in the drafting on which we consulted in November 2016, the types of option set out at subparagraphs 16(a)(iii), (iv), (v), and (vii) were set out in the proposed 'SO-Led options' definition. We no longer propose the 'SO-Led' options definition.
- 1.13. Table 1 describes the intention of the options set out in subparagraphs (vi)-(viii).

Table 1

<b>Subparagraph</b>	<b>Intention</b>
(vi) options recommended previously by the licensee to proceed but which have not been progressed by the transmission licensee to which the recommendation was given;	This is intended to describe options that have been discounted by TOs but which the SO considers would benefit from further development so that they can be considered and compared to other options. Pursuant to Part D of this condition, the SO will be required to undertake early development works for these options. As mentioned at paragraph 1.8 above, an option fitting this description might also fall within the other descriptions from subparagraph 16(a)(i) to (viii).
(vii) options that cross the boundaries of two or more electricity licensee's transmission areas;	This is intended to describe options that link or cross incumbent transmission owner's transmission areas. For example, from NOA 2, projects such as the Eastern HVDC links.
(viii) options suggested by other interested persons;	This is intended to describe options suggested to the SO by interested persons. As referred to at paragraph 1.8 above, an option fitting this description might also fall within the other descriptions from subparagraph 16(a)(i) to (viii).

- 1.14. In relation to subparagraph 16(a)(viii), we note that the obligation in subparagraph 16(a) is (in summary) for the licensee to set out its best view of options that could meet system needs. Consistent with this, for the avoidance of doubt, it is not our intention that the SO set out all options suggested by interested persons.

### **Criteria assessments for recommended options and connections**

#### *Recommended options*

- 1.15. In our November 2016 decision document, we reiterated our commitment to implementing the decision from ITPR Final Conclusions that the SO should make a recommendation on whether an option meet our criteria for competition. More information about the criteria can be found in our “Update on competition in onshore electricity transmission” document published alongside this consultation. That document also includes, as a subsidiary document, a draft of the guidance document in which we intend to formalise the criteria.
- 1.16. We propose to implement our November 2016 decision by inserting the new paragraph 16(d) into SLC C27. This requires the SO to set out if any of the recommended options, i.e. those identified in paragraph 16(c), meet the criteria for competition.
- 1.17. As referred to in paragraph 1.15 above, our intention is to set out the criteria in guidance on which we are currently consulting. Subject to consultation, we will replace the text in square brackets in the new paragraph 16(d) with the name of the guidance document, when the guidance is finalised.
- 1.18. We note that the SO included a process for assessing projects against the criteria for competition in its NOA Methodology for 2017/18.

#### *Connections*

- 1.19. In our November 2016 decision document, we set out that the SO should also identify generator and demand connections that meet our criteria for competition.
- 1.20. We propose to introduce a new paragraph 16(e) to implement that decision. Paragraph 16(e) would require the SO to assess the outcome of connection applications made by users and potential users of the system under SLC C8 (Requirement to offer terms) against the criteria set out in guidance, as discussed in 1.15.



### **Early development**

- 1.21. We set out in our November 2016 decision document that the SO should be responsible for undertaking early development of options identified by the SO which could provide alternative solutions to meet system needs.
- 1.22. The intention of the obligation is to require the SO to develop identified options such that they can be compared to other options under the NOA process.
- 1.23. To implement this, the proposed new paragraph 23 of SLC C27 requires the SO to undertake early development of any option it intends to set out pursuant to 16(a) where the relevant TO has not undertaken development of that option already.
- 1.24. Paragraph 20 of the existing SLC C27 requires the SO to undertake early development of options for 'Non Developer-Associated Offshore Wider Works' (NDAOWW), which is the type of option referred to at point (i) of our proposed list of types of options.
- 1.25. The proposed new paragraph 23 of SLC C27 extends the principle in the existing paragraph 20 – the obligation in the new paragraph 23 could apply to any option that the SO might set out in the NOA Report pursuant to the new subparagraph 16(a), including options of the types listed from subparagraph 16(a)(i) to 16(a)(viii). The obligation in the new paragraph 23 is applicable only where an option is not developed by a relevant TO.
- 1.26. The proposed new paragraph 24, describes the way in which the SO should undertake early development. This paragraph is included to ensure that the SO's early development of options achieves the aim referred to in paragraph 1.23 above. The wording of the new paragraph 24 is intended to be materially the same as the equivalent wording in the existing paragraph 20 SLC C27.

### **Structural and housekeeping changes**

- 1.27. The following section sets out housekeeping and other minor structural drafting amendments we propose to make.

#### *Paragraph 8*

- 1.28. We propose to restructure existing paragraph 15 to move into a separate condition the manner in which assessments pursuant to 8(b) should be undertaken.

*Paragraph 15*

- 1.29. We propose to amend the existing paragraph 15 (now 16) to promote the requirement to use the latest available data to cover the entire paragraph rather than just the licensee's best view. This would clarify that the licensee should take into account the latest available data for the whole NOA report, and not just when setting out an option's suitability.
- 1.30. We propose to move the majority of the second sentence of the existing paragraph 15(a)(iii) into a new condition 17.

*Part C: Provision of Information*

- 1.31. We propose to capitalise instances of 'interconnector developers' to make clear this is a defined term in SLC C1.
- 1.32. We propose to move existing paragraph 16(d) into its own new paragraph 19. This reflects that (d) is not part of the list of information the licensee should provide as specified in paragraph 16.
- 1.33. We propose to remove the caveat from the first sentence of paragraph 17 around the scope of information we may request, to better reflect the range of information likely to be provided to parties under paragraphs 17(a)-(c).
- 1.34. We propose to amend existing paragraph 19 (now 22) to clarify that paragraph's scope of information request, aligned with the principle of the proposed changes to paragraph 17 (now 20). We also propose to remove the restriction on the use of the information by the Authority, which is not appropriate for a licensee's transmission licence.

## Appendices

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## Appendix 1 – Proposed changes to C27, marked version

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This appendix contains a marked-up version of the proposed amendments to Standard Licence Condition C27 of the Electricity Transmission Licence.

The formatting is as follows:

- Blue, double underlined – proposed new text additions.
- Red, strikethrough – proposed existing text deletions.
- Green, single underlined – existing text that has been moved within the condition.

### **Standard Condition C27: The Network Options Assessment process and reporting requirements**

#### **Introduction**

1. This condition sets out the licensee’s role in assessing options for the development of the national electricity transmission system (including Offshore Wider Works) and interconnector capacity. The network options assessment (NOA) process is designed to facilitate the development of an efficient, co-ordinated and economical system of electricity transmission and the development of efficient interconnector capacity.
2. The methodology underpinning the NOA process, along with how this will be approved, is set out in Part A of this condition. The requirements for the publication of the annual NOA report are outlined in Part B. The licensee’s obligations regarding the provision of information underpinning the NOA process are described in Part C. Part D sets out the role the licensee will play in the early development of options and the circumstances in which the licensee will be required to do so. Together, all of these activities make up the NOA process.
3. The licensee must take such steps as are within its power, and it considers may be necessary to enable the NOA process. In carrying out the NOA process, the licensee must act in a manner that best ensures transparency and independence.

**Part A: The NOA methodology and form of the NOA report**

4. The licensee must, not less than once in each financial year (and at such other times as the Authority may direct), develop proposals for the NOA methodology and the form of the NOA report in consultation with interested parties. The consultation shall be of such a form and duration as practicable to reasonably allow all interested parties to contribute.
5. Following any consultation pursuant to paragraph 4, the licensee must:
  - (a) by 1 October 2015, or at such other date as directed by the Authority, submit to the Authority a proposed NOA methodology and proposed form of the initial NOA report ("the initial NOA report"). The licensee must make reasonable endeavours to ensure the NOA methodology includes the information set out in paragraph 8. Where this has not been possible, the licensee must explain the reasons and how it proposes to progress outstanding issues; and
  - (b) by 1 August of each subsequent financial year, or at such other date as directed by the Authority submit to the Authority for approval the proposed NOA methodology and form of the NOA report.
6. Submissions made under paragraph 5 must include:
  - (a) a detailed explanation of the consultation process undertaken in the development of the NOA methodology and the form of the NOA report;
  - (b) a summary of views from interested parties and an explanation of how these were taken into account in the development of the NOA methodology and the form of the NOA report; and
  - (c) copies of any formal responses submitted to the licensee as part of its consultation process.
7. The Authority will on receipt of a submission under paragraph 5:

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- (a) approve the proposed NOA methodology and/or form of the NOA report;  
or
  - (b) give a direction to the licensee that the NOA methodology and/or form of the NOA report requires further development, and the date by which the licensee is required to submit a revised NOA methodology and/or the form of the NOA report to the Authority for approval.
8. The NOA methodology must be designed to facilitate the development of an efficient, co-ordinated and economical system of electricity transmission, and must include (but need not be limited to):
- (a) the approach used for determining what constitutes Major National Electricity Transmission System Reinforcements;
  - (b) the approach [\(which must be in accordance with paragraph 9\)](#) used for identifying [and assessing the range of](#) options to meet system needs in accordance with the development of an efficient, co-ordinated and economical system of electricity transmission for the purposes of producing the NOA report in accordance with paragraph 156(a)(i) and (ii);
  - ~~(c) how the options identified in (b) will be assessed, including but not limited to:~~
    - ~~(i) the approach used to assess the technical, economic and environmental impacts and risks; and~~
    - ~~(ii) the approach used for modelling boundary capacity, offshore transmission capacity and interconnector capacity along with assumptions and assessment criteria used;~~
  - ~~(d) the basis for the cost estimate provided for each option;~~

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- (c) ~~(e)~~ how the licensee will engage with interested parties to share relevant information and how that information will be used to review and revise the NOA methodology; and
  - (d) ~~(f)~~ details of the licensee's proposed timetable for updating and consulting on the methodology for the NOA reports.
9. The approach included in the methodology pursuant to paragraph 8(b) must include (but need not be limited to):
- (a) the approach used to assess the technical, economic and environmental impacts and risks;
  - (b) the approach used for modelling boundary capacity, offshore transmission capacity and interconnector capacity along with assumptions and assessment criteria used; and
  - (c) the basis for the cost estimate provided for each option.

### **Part B: The NOA report**

~~9~~10. The licensee must publish an initial NOA report by 31 March 2016 or such other date as directed by the Authority. The initial NOA report must be based on the NOA methodology and be in a form approved by the Authority in accordance with paragraph 7. In producing the initial NOA report, the licensee must make reasonable endeavours to ensure it includes the information set out in paragraph ~~15~~6. Where this has not been possible, the licensee must explain the reasons and how it proposes to progress any outstanding issues.

~~10~~11. If, following a submission of the NOA methodology and form of the initial NOA report in accordance with paragraph 5(a), the Authority has not approved or directed further development of the NOA methodology and/or form of the NOA report in accordance with paragraph 7 by 1 December 2015, the publication date set out in paragraph ~~9~~10 will be treated as being amended accordingly.

The amendment will equal the number of days between 1 December 2015 and receipt of the Authority's approval or direction.

~~11~~12. Following publication of the initial NOA report the licensee must:

- (a) review at least once in each financial year the NOA report prepared and published in the previous financial year and consider any improvements to better facilitate the development of an efficient, co-ordinated and economical system of electricity transmission; and
- (b) publish an updated NOA report by 31 January or such other date as directed by the Authority in a form approved by the Authority. This must be based on and include the latest NOA methodology approved by the Authority pursuant to paragraph 7.

~~12~~13. If, following a submission of the methodology and the form of the NOA report by the date set out in paragraph 5(b), the Authority has not approved or directed further development of the NOA methodology and/or form of the report in accordance with paragraph 7 by 1 October the publication date set out in paragraph ~~11~~2(b) will be treated as amended accordingly. The amendment will equal the number of days between 1 October and receipt of the Authority's approval or direction.

~~13~~14. The licensee must publish the NOA report on its website in such readily accessible form and manner that it considers will facilitate the development of an efficient, co-ordinated and economical system of electricity transmission, and provide a copy of the NOA report on request, and free of charge, to any person who asks for one.

~~14~~15. In complying with the requirements of paragraph ~~13~~4, the licensee must have due regard to the need for excluding from the NOA report any information that would or might seriously and prejudicially affect the commercial interests of the owner of that information if published or might be expected to be incompatible with any legislation, rule of law or licence condition. The licensee



must provide to the Authority its reasons for any omission of information from the NOA report.

~~15~~16. Each NOA report (including the initial NOA report) must be produced using the latest available data and in accordance with the methodology established pursuant to paragraph 8, and must, in respect of the ~~current~~ financial year in which the report is published and each of the nine succeeding financial years:

- (a) set out ~~(+)~~ the licensee's best view of the options for Major National Electricity Transmission System Reinforcements ~~(including any Non Developer-Associated Offshore Wider Works that the licensee is undertaking early development work for under Part D), and additional interconnector capacity~~ that could meet the needs identified in the electricity ten year statement (ETYS) and facilitate the development of an efficient, co-ordinated and economical system of electricity transmission, including (but not limited to) any:
- (i) options for Non Developer-Associated Offshore Wider Works;
  - (ii) options for additional interconnector capacity;
  - (iii) options that do not involve, or involve minimal, construction of new transmission capacity;
  - (iv) options based on commercial arrangements with users to provide transmission services and balancing services;
  - (v) options that require liaison with a holder of a distribution licence on distribution system solutions;
  - (vi) options recommended previously by the licensee to proceed but which have not been progressed by the transmission licensee to which the recommendation was given;
  - (vii) options that cross the boundaries of two or more electricity licensee's transmission areas; and

(viii) options suggested by other interested persons.

~~(ii) — the licensee’s best view of alternative options, where these exist, for meeting the identified system need. This should include options that do not involve, or involve minimal, construction of new transmission capacity; options based on commercial arrangements with users to provide transmission services and balancing services; and, where appropriate, liaison with distribution licensees on possible distribution system solutions;~~

~~(iii)(b) set out, in accordance with paragraph 16,~~ the licensee’s best view of the relative suitability of each option, ~~(or combination of options), identified in accordance with set out pursuant to~~ paragraph 156(a)(i) or (ii), for facilitating the development of an efficient, co-ordinated and economical system of electricity transmission.~~This must be based on the latest available data, and must include (but need not be limited to) the licensee’s assessment of the impact of different options on the national electricity transmission system and the licensee’s ability to co-ordinate and direct the flow of electricity onto and over the national electricity transmission system in an efficient, economic and co-ordinated manner;~~

~~(iv)(c) set out~~ the licensee’s recommendations on which, ~~if any, of the~~ option(s) set out pursuant to paragraph 16(a), should be developed further to facilitate the development of an efficient, co-ordinated and economical system of electricity transmission;

(d) set out the licensee’s best view of which, if any, of the options recommended pursuant to paragraph 16(c) comprise assets some or all of which satisfy the criteria in [name/location of document setting out criteria];

(e) set out the licensee’s best view of which, if any, connections (or modifications to existing connections) which arise from applications made for the purposes of standard condition C8 (Requirement to offer terms),

comprise assets some or all of which satisfy the criteria in [name/location of document setting out criteria];

~~(b)~~(f) be consistent with the ETYS;

(g) where possible align with the Ten Year Network Development Plan as defined in standard condition C11 (Production of information about the national electricity transmission system) and, in the event of any material misalignment therewith, set out an explanation of the difference and any associated implications; and

~~(e)~~(h) have regard to interactions with existing agreements with parties in respect of developing the national electricity transmission system and changes in system requirements.

17. The licensee's best view, set out pursuant to paragraph 16(b), must include (but need not be limited to) the licensee's assessment of the impact of different options on the national electricity transmission system and the licensee's ability to co-ordinate and direct the flow of electricity onto and over the national electricity transmission system in an efficient, economic and co-ordinated manner.

### **Part C: Provision of information**

~~16~~18. Based on the NOA methodology set out in Part A, the licensee must provide electricity ~~transmission~~ licensees and ~~interconnector developers~~ Interconnector Developers, if requested to do so, with:

(a) ~~with~~ information and analysis to support them in their decision-making and development of options to meet system needs as identified in the ETYS. This must include information on the potential for coordination between parties where the licensee's analysis suggests coordination could facilitate the development of an efficient, co-ordinated and economical system of electricity transmission. The licensee must provide this information and analysis in such form and within such timescales as transmission licensees and ~~interconnector developers~~ Interconnector

[Developers](#) may reasonably request and which is necessary to support these parties' decision making and development of options;

- (b) ~~with~~ its assessment of the options that a party is considering for Major National Electricity Transmission System Reinforcements and interconnectors, as well as its assessment of any alternative options being considered by other parties. The licensee must provide the assessment in such form and within such timescales as transmission licensees and ~~interconnector developers~~ [Interconnector Developers](#) may reasonably request and which is necessary to support these parties' decision making; [and](#)

- (c) ~~with~~ updated information and analysis to support submissions to the Authority in such form and within such timescales as transmission licensees and ~~interconnector developers~~ [Interconnector Developers](#) may reasonably request and which is necessary to support these parties' submissions to the Authority~~;~~.

~~(d) In complying with the requirements of this paragraph, the licensee must have due regard to the need to exclude from disclosure any information which would or might seriously and prejudicially affect the commercial interests of the owner of that information if disclosed or might be expected to be incompatible with any legislation, rule of law or licence condition. The licensee must provide to the Authority its reasons for any non-disclosure of information.~~

~~(d)~~ 19. In complying with the requirements of ~~this~~ [paragraph 18](#), the licensee must have due regard to the need to exclude from disclosure any information which would or might seriously and prejudicially affect the commercial interests of the owner of that information if disclosed or might be expected to be incompatible with any legislation, rule of law or licence condition. The licensee must provide to the Authority its reasons for any non-disclosure of information.

~~17~~ 20. Based on the NOA methodology set out in Part A, the licensee must if requested submit to the Authority the information it has provided to parties

under paragraph ~~168~~ ~~on the assessment of options to meet a particular system requirement~~. This ~~includes but is not~~ must include, but need not be limited to, information to support a needs case for a Strategic Wider Works Output, a Needs Case for Developer-Associated Offshore Wider Works and any ~~interconnector developers~~ Interconnector Developers submission to the Authority. The licensee must also submit any additional information requested by the Authority. The licensee's submissions must be made in timescales consistent with related submissions from other parties to the Authority, and as directed by the Authority.

~~1821~~. In relation to interconnectors, based on the NOA methodology set out in Part A, the licensee must submit to the Authority, within the timescales directed by the Authority, information on:

- (a) the efficiency of the connection choices made by ~~an interconnector developers~~ Interconnector Developers, based on the licensee's involvement in assessing different options, including the costs of any necessary reinforcements required to connect interconnectors to the national electricity transmission system;
- (b) the licensee's assessment of the impact of new interconnectors on system operation. This should include costs and benefits relating to provision of security of supply including ancillary services, constraint management and other operational factors, which may accrue to the licensee and to consumers; and
- (c) the licensee's assessment of changes in wholesale prices as a result of interconnector flows and the impact of these changes on GB consumers, generators and interconnectors.

~~1922~~. The Authority may direct the licensee to submit information to the Authority additional to the information provided by the licensee to the Authority pursuant to ~~on the assessment of options specified in~~ paragraphs ~~16, 17~~ ~~20~~ and ~~18~~ ~~21~~, within such timeframe as the Authority may require ~~in order to carry out any of~~

~~its functions in relation to the assessment of submissions.~~

#### **Part D: Early development of options**

~~20. The licensee must undertake early development of options for Non-Developer-Associated Offshore Wider Works where these have been identified as options for the development of the national electricity transmission system in accordance with the NOA methodology. The development of these options should be consistent with the NOA methodology and undertaken in a transparent manner which will enable the options to be compared with alternative options (including those being developed by other parties) in accordance with the requirements in paragraph 15(a)(i) and (ii).~~

23. The licensee must undertake early development (in accordance with paragraph 24) of any option which it intends to set out pursuant to paragraph 16(a) where early development is not carried out by another transmission licensee. Without prejudice to the generality of the first sentence of this paragraph, examples of the types of option for which the licensee may need to undertake early development include those set out in paragraphs 16(a)(i) to 16(a)(viii).

24. For the purposes of paragraph 23, early development must be undertaken in a manner which:

- (a) enables the licensee to adequately compare, in accordance with paragraph 16(b), the options that it sets out pursuant to paragraph 16(a);
- (b) is consistent with the NOA methodology set out by the licensee in accordance with paragraphs 8 and 9; and
- (c) is transparent.

## Appendix 2 – Proposed changes to C27, clean version

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This appendix contains a clean version of the proposed amendments to Standard Licence Condition C27 of the Electricity Transmission Licence.

### **Standard Condition C27: The Network Options Assessment process and reporting requirements**

#### **Introduction**

1. This condition sets out the licensee’s role in assessing options for the development of the national electricity transmission system (including Offshore Wider Works) and interconnector capacity. The network options assessment (NOA) process is designed to facilitate the development of an efficient, co-ordinated and economical system of electricity transmission and the development of efficient interconnector capacity.
2. The methodology underpinning the NOA process, along with how this will be approved, is set out in Part A of this condition. The requirements for the publication of the annual NOA report are outlined in Part B. The licensee’s obligations regarding the provision of information underpinning the NOA process are described in Part C. Part D sets out the role the licensee will play in the early development of options and the circumstances in which the licensee will be required to do so. Together, all of these activities make up the NOA process.
3. The licensee must take such steps as are within its power, and it considers may be necessary to enable the NOA process. In carrying out the NOA process, the licensee must act in a manner that best ensures transparency and independence.

#### **Part A: The NOA methodology and form of the NOA report**



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4. The licensee must, not less than once in each financial year (and at such other times as the Authority may direct), develop proposals for the NOA methodology and the form of the NOA report in consultation with interested parties. The consultation shall be of such a form and duration as practicable to reasonably allow all interested parties to contribute.
5. Following any consultation pursuant to paragraph 4, the licensee must:
  - (a) by 1 October 2015, or at such other date as directed by the Authority, submit to the Authority a proposed NOA methodology and proposed form of the initial NOA report ("the initial NOA report"). The licensee must make reasonable endeavours to ensure the NOA methodology includes the information set out in paragraph 8. Where this has not been possible, the licensee must explain the reasons and how it proposes to progress outstanding issues; and
  - (b) by 1 August of each subsequent financial year, or at such other date as directed by the Authority submit to the Authority for approval the proposed NOA methodology and form of the NOA report.
6. Submissions made under paragraph 5 must include:
  - (a) a detailed explanation of the consultation process undertaken in the development of the NOA methodology and the form of the NOA report;
  - (b) a summary of views from interested parties and an explanation of how these were taken into account in the development of the NOA methodology and the form of the NOA report; and
  - (c) copies of any formal responses submitted to the licensee as part of its consultation process.
7. The Authority will on receipt of a submission under paragraph 5:
  - (a) approve the proposed NOA methodology and/or form of the NOA report;  
or





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- (b) give a direction to the licensee that the NOA methodology and/or form of the NOA report requires further development, and the date by which the licensee is required to submit a revised NOA methodology and/or the form of the NOA report to the Authority for approval.
  
- 8. The NOA methodology must be designed to facilitate the development of an efficient, co-ordinated and economical system of electricity transmission, and must include (but need not be limited to):
  - (a) the approach used for determining what constitutes Major National Electricity Transmission System Reinforcements;
  - (b) the approach (which must be in accordance with paragraph 9) used for identifying and assessing options to meet system needs in accordance with the development of an efficient, co-ordinated and economical system of electricity transmission for the purposes of producing the NOA report in accordance with paragraph 16;
  - (c) how the licensee will engage with interested parties to share relevant information and how that information will be used to review and revise the NOA methodology; and
  - (d) details of the licensee's proposed timetable for updating and consulting on the methodology for the NOA reports.
  
- 9. The approach included in the methodology pursuant to paragraph 8(b) must include (but need not be limited to):
  - (a) the approach used to assess the technical, economic and environmental impacts and risks;
  - (b) the approach used for modelling boundary capacity, offshore transmission capacity and interconnector capacity along with assumptions and assessment criteria used; and

- (c) the basis for the cost estimate provided for each option.

**Part B: The NOA report**

10. The licensee must publish an initial NOA report by 31 March 2016 or such other date as directed by the Authority. The initial NOA report must be based on the NOA methodology and be in a form approved by the Authority in accordance with paragraph 7. In producing the initial NOA report, the licensee must make reasonable endeavours to ensure it includes the information set out in paragraph 16. Where this has not been possible, the licensee must explain the reasons and how it proposes to progress any outstanding issues.
11. If, following a submission of the NOA methodology and form of the initial NOA report in accordance with paragraph 5(a), the Authority has not approved or directed further development of the NOA methodology and/or form of the NOA report in accordance with paragraph 7 by 1 December 2015, the publication date set out in paragraph 10 will be treated as being amended accordingly. The amendment will equal the number of days between 1 December 2015 and receipt of the Authority's approval or direction.
12. Following publication of the initial NOA report the licensee must:
  - (c) review at least once in each financial year the NOA report prepared and published in the previous financial year and consider any improvements to better facilitate the development of an efficient, co-ordinated and economical system of electricity transmission; and
  - (d) publish an updated NOA report by 31 January or such other date as directed by the Authority in a form approved by the Authority. This must be based on and include the latest NOA methodology approved by the Authority pursuant to paragraph 7.
13. If, following a submission of the methodology and the form of the NOA report by the date set out in paragraph 5(b), the Authority has not approved or

directed further development of the NOA methodology and/or form of the report in accordance with paragraph 7 by 1 October the publication date set out in paragraph 12(b) will be treated as amended accordingly. The amendment will equal the number of days between 1 October and receipt of the Authority's approval or direction.

14. The licensee must publish the NOA report on its website in such readily accessible form and manner that it considers will facilitate the development of an efficient, co-ordinated and economical system of electricity transmission, and provide a copy of the NOA report on request, and free of charge, to any person who asks for one.
15. In complying with the requirements of paragraph 14, the licensee must have due regard to the need for excluding from the NOA report any information that would or might seriously and prejudicially affect the commercial interests of the owner of that information if published or might be expected to be incompatible with any legislation, rule of law or licence condition. The licensee must provide to the Authority its reasons for any omission of information from the NOA report.
16. Each NOA report (including the initial NOA report) must be produced using the latest available data and in accordance with the methodology established pursuant to paragraph 8, and must, in respect of the financial year in which the report is published and each of the nine succeeding financial years:
  - (b) set out the licensee's best view of the options for Major National Electricity Transmission System Reinforcements that could meet the needs identified in the electricity ten year statement (ETYS) and facilitate the development of an efficient, co-ordinated and economical system of electricity transmission, including (but not limited to) any:
    - (i) options for Non Developer-Associated Offshore Wider Works;
    - (ii) options for additional interconnector capacity;



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- (iii) options that do not involve, or involve minimal, construction of new transmission capacity;
  - (iv) options based on commercial arrangements with users to provide transmission services and balancing services;
  - (v) options that require liaison with a holder of a distribution licence on distribution system solutions;
  - (vi) options recommended previously by the licensee to proceed but which have not been progressed by the transmission licensee to which the recommendation was given;
  - (vii) options that cross the boundaries of two or more electricity licensee's transmission areas; and
  - (viii) options suggested by other interested persons.
- (b) set out, in accordance with paragraph 16, the licensee's best view of the relative suitability of each option, (or combination of options), set out pursuant to paragraph 16(a), for facilitating the development of an efficient, co-ordinated and economical system of electricity transmission;
- (c) set out the licensee's recommendations on which, if any, of the options set out pursuant to paragraph 16(a), should be developed further to facilitate the development of an efficient, co-ordinated and economical system of electricity transmission;
- (d) set out the licensee's best view of which, if any, of the options recommended pursuant to paragraph 16(c) comprise assets some or all of which satisfy the criteria in [name/location of document setting out criteria];
- (e) set out the licensee's best view of which, if any, connections (or modifications to existing connections) which arise from applications made for the purposes of standard condition C8 (Requirement to offer terms),

comprise assets some or all of which satisfy the criteria in [name/location of document setting out criteria];

- (f) be consistent with the ETYS;
  - (g) where possible align with the Ten Year Network Development Plan as defined in standard condition C11 (Production of information about the national electricity transmission system) and, in the event of any material misalignment therewith, set out an explanation of the difference and any associated implications; and
  - (h) have regard to interactions with existing agreements with parties in respect of developing the national electricity transmission system and changes in system requirements.
17. The licensee's best view, set out pursuant to paragraph 16(b), must include (but need not be limited to) the licensee's assessment of the impact of different options on the national electricity transmission system and the licensee's ability to co-ordinate and direct the flow of electricity onto and over the national electricity transmission system in an efficient, economic and co-ordinated manner.

### **Part C: Provision of information**

18. Based on the NOA methodology set out in Part A, the licensee must provide electricity licensees and Interconnector Developers, if requested to do so, with:
- (d) information and analysis to support them in their decision-making and development of options to meet system needs as identified in the ETYS. This must include information on the potential for coordination between parties where the licensee's analysis suggests coordination could facilitate the development of an efficient, co-ordinated and economical system of electricity transmission. The licensee must provide this information and analysis in such form and within such timescales as transmission licensees and Interconnector Developers may reasonably request and which is necessary to support these parties' decision making and

development of options;

- (e) its assessment of the options that a party is considering for Major National Electricity Transmission System Reinforcements and interconnectors, as well as its assessment of any alternative options being considered by other parties. The licensee must provide the assessment in such form and within such timescales as transmission licensees and Interconnector Developers may reasonably request and which is necessary to support these parties' decision making; and
  - (f) updated information and analysis to support submissions to the Authority in such form and within such timescales as transmission licensees and Interconnector Developers may reasonably request and which is necessary to support these parties' submissions to the Authority.
19. In complying with the requirements of paragraph 18, the licensee must have due regard to the need to exclude from disclosure any information which would or might seriously and prejudicially affect the commercial interests of the owner of that information if disclosed or might be expected to be incompatible with any legislation, rule of law or licence condition. The licensee must provide to the Authority its reasons for any non-disclosure of information.
20. Based on the NOA methodology set out in Part A, the licensee must if requested submit to the Authority the information it has provided to parties under paragraph 18. This must include, but need not be limited to, information to support a needs case for a Strategic Wider Works Output, a Needs Case for Developer-Associated Offshore Wider Works and any Interconnector Developers submission to the Authority. The licensee must also submit any additional information requested by the Authority. The licensee's submissions must be made in timescales consistent with related submissions from other parties to the Authority, and as directed by the Authority.
21. In relation to interconnectors, based on the NOA methodology set out in Part A, the licensee must submit to the Authority, within the timescales directed by the

Authority, information on:

- (d) the efficiency of the connection choices made by Interconnector Developers, based on the licensee's involvement in assessing different options, including the costs of any necessary reinforcements required to connect interconnectors to the national electricity transmission system;
  - (e) the licensee's assessment of the impact of new interconnectors on system operation. This should include costs and benefits relating to provision of security of supply including ancillary services, constraint management and other operational factors, which may accrue to the licensee and to consumers; and
  - (f) the licensee's assessment of changes in wholesale prices as a result of interconnector flows and the impact of these changes on GB consumers, generators and interconnectors.
22. The Authority may direct the licensee to submit information to the Authority additional to the information provided by the licensee to the Authority pursuant to paragraphs 20 and 21, within such timeframe as the Authority may require.

**Part D: Early development of options**

23. The licensee must undertake early development (in accordance with paragraph 24) of any option which it intends to set out pursuant to paragraph 16(a) where early development is not carried out by another transmission licensee. Without prejudice to the generality of the first sentence of this paragraph, examples of the types of option for which the licensee may need to undertake early development include those set out in paragraphs 16(a)(i) to 16(a)(viii).
24. For the purposes of paragraph 23, early development must be undertaken in a manner which:
- (d) enables the licensee to adequately compare, in accordance with paragraph 16(b), the options that it sets out pursuant to paragraph 16(a);



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- (e) is consistent with the NOA methodology set out by the licensee in accordance with paragraphs 8 and 9; and
- (f) is transparent.



## Appendix 3 - Feedback on this consultation

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We want to hear from anyone interested in this document. Send your response to the person or team named at the top of the front page.

We've asked for your feedback in each of the questions throughout it. Please respond to each one as fully as you can.

Unless you mark your response confidential, we'll publish it on our website, [www.ofgem.gov.uk](http://www.ofgem.gov.uk), and put it in our library. You can ask us to keep your response confidential, and we'll respect this, subject to obligations to disclose information, for example, under the Freedom of Information Act 2000 or the Environmental Information Regulations 2004. If you want us to keep your response confidential, you should clearly mark your response to that effect and include reasons.

If the information you give in your response contains personal data under the Data Protection Act 1998, the Gas and Electricity Markets Authority will be the data controller. Ofgem uses the information in responses in performing its statutory functions and in accordance with section 105 of the Utilities Act 2000. If you are including any confidential material in your response, please put it in the appendices.

### **General feedback**

We believe that consultation is at the heart of good policy development. We are keen to hear your comments about how we've conducted this consultation. We'd also like to get your answers to these questions:

1. Do you have any comments about the overall process of this consultation?
2. Do you have any comments about its tone and content?
3. Was it easy to read and understand? Or could it have been better written?
4. Were its conclusions balanced?
5. Did it make reasoned recommendations for improvement?
6. Any further comments?

Please send your comments to [stakeholders@ofgem.gov.uk](mailto:stakeholders@ofgem.gov.uk)